

The Borden Company
1964
ANNUAL REPORT

BOARDS



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*Our cover attempts to capture the kaleidoscopic effect of
Borden's growth and diversification during 1964:*

1 A watchful eye of Elsie the Cow views visitors attending the Borden exhibit at the New York World's Fair. 2 Dividends were increased twice. 3 Green Chili Dip (sour cream with peppers) was introduced regionally. 4 Marcelle Cosmetics added a new bath oil to its line. 5 The Company again rang up record sales and earnings. 6 The Cracker Jack Co. was acquired in January. 7 Three flavors of low-calorie fruit drinks were marketed regionally. 8 None Such Mince Meat with Brandy & Rum went into national distribution. 9 For all-season use: a low-temperature reinforced garden hose. 10 Another item new to Borden's: Campfire miniature marshmallows. 11 Mink and other fur-bearing animals had glossier coats when fed new Mirra-Coat. 12 Introduced by Drake Bakeries Division: Fruit Doodles. 13 Not a sponge, but crisp Old London Melba Rounds. 14 A winner every time: new Tic-Tac-Toe ice cream. 15 Cremora, a new non-dairy coffee lightener, lightening coffee. 16 Stripes of strips of Mystik plastic coated cloth tape. 17 The traditional egg nog season was extended with aseptic canning of the product. 18 Elmer's Tub Caulk, a white waterproof sealant, expanded the line of consumer chemical products. 19 This new Wyler's Instant Iced Tea Mix has the sugar and lemon flavor already in it. 20 Viking ship and crown identify Borden's New Danish Margarine. 21 Instant sweet potatoes moved out of test markets into regional distribution. 22 Diced cooked chicken, mushrooms,

peas, and red bell peppers make up Chicken Supreme, one of five new freeze-dried dinners. 23 Comstock Foods installed apple-concentrating facilities at Egypt, N. Y. 24 Lady Borden French ice cream was introduced in several flavors. 25 Distribution of instant omelets was expanded to half the country. 26 Chunk Chicken and Noodle Soup Mix headed a new line of Wyler premium soups. 27 Lipsticks are among the beauty preparations distributed by newly acquired John Robert Powers Products Co. 28 Rollers smooth color pigments at new ink plant at Fremont, Calif. 29 Fresh and canned milk shakes were introduced. 30 Color-coded pipes symbolize expansion of methanol and vinyl acetate monomer facilities at Geismar, La. 31 Test marketing of White Lamb disposable tissue diapers got under way in late fall. 32 This dessert topping was made from a new sterilized whipping cream in cans. 33 A quick-setting glue for laminating plywood was developed. 34 Ready-to-use infant formula products were made available to hospitals. 35 Enoz Moth Ice crystals and nuggets became Borden consumer chemical products. 36 A detail from the Spanish flag symbolizes Borden's acquisition of an interest in Gallina Blanca, S.A., a leading Spanish food company. 37 Potato chips were added to the Borden line with the purchase of the Wise Potato Chip Company. 38 Polyvinyl chloride resin facilities were enlarged at North Andover, Mass.

HIGHLIGHTS	1964	CHANGE	1963
Net sales	\$1,293,439,144	+ 9.3%	\$1,183,860,621
Net earnings	\$ 45,485,901	+17.8%	\$ 38,628,622
per share	\$3.73	+14.1%	\$3.27
Cash dividends	\$ 22,376,859	+17.1%	\$ 19,107,218
per share	\$2.00	+12.7%	\$1.77½
Working capital	\$ 199,583,852	+ 5.4%	\$ 189,398,009

Note: Except for cash dividends, financial data for 1964 and 1963 appearing in this Report include Smith-Douglass Company, Incorporated, which was combined with The Borden Company in a pooling of interests in 1964.

year in review

The Borden Company

1964

ANNUAL REPORT

FIRST QUARTER: The Cracker Jack Co., of Chicago, manufacturer of *Cracker Jack* caramelized popcorn and *Campfire* marshmallows, acquired ● Unconsolidated foreign operations expanded with acquisition of 50% interest in a leading Spanish food company, Gallina Blanca, S.A., of Barcelona. **SECOND QUARTER:** Quarterly dividend payment increased from 47½¢ to 50¢ a share on June 1 ● Company's exhibit featuring live Elsie the Cow opens at New York World's Fair. **THIRD QUARTER:** Francis R. Elliott elected Borden's eleventh President ● The Borden Chemical Company (Canada) Ltd. opens new manufacturing facilities at Montreal, its first in Quebec Province ● Mr. and Mrs. Andrew J. Fischer, Aberdeen, S.D., grant Company exclusive worldwide license to use Fischer Quintuplets and other family members in promoting Borden products. **FOURTH QUARTER:** Wise Potato Chip Company, Berwick, Pa., acquired ● Quarterly dividend payment increased again, from 50¢ to 52½¢ a share, on Dec. 1 ● Smith-Douglass Company, Incorporated, important producer of agricultural chemicals, acquired Dec. 30 ● Nation's largest milk processing plant placed in operation by Borden's Milk and Ice Cream Company at Woodstock, Ill. ● John Robert Powers Products Co., Inc., New York City, distributor of prestige cosmetics, joins Borden Special Products Company.

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THE BORDEN COMPANY

BOARD OF DIRECTORS

ROY D. WOOSTER, *Chairman*
HARRY L. ARCHER, *Executive Vice President*
WALKER G. BUCKNER
Partner in investment firm, Buckner & Co.
HAROLD W. COMFORT, *Former President*
CECIL I. CROUSE, *Vice President — Law*
FRANCIS R. ELLIOTT, *President*
J. ROY GORDON
President, The International Nickel Co. of Canada, Ltd.
MORRIS HADLEY
Member of law firm, Milbank, Tweed, Hadley & McCloy
LESTER LE FEBER, *Former President, Gridley Dairy Co.*
MADISON H. LEWIS, *Former Chairman, East District*
AUGUSTINE R. MARUSI, *Executive Vice President*
THEODORE G. MONTAGUE
Former Chairman and President
EVERETT L. NOETZEL, *Vice President — Finance*
WILLIAM S. RENCHARD
President, Chemical Bank New York Trust Company
HOWARD C. SHEPERD
Former Chairman, First National City Bank

EXECUTIVE COMMITTEE:

Mr. COMFORT, *Chairman*; Messrs. ARCHER, ELLIOTT, GORDON, LEWIS, MARUSI, MONTAGUE, SHEPERD and WOOSTER, *permanent members. Other Directors serve in rotation.*

FINANCE COMMITTEE:

Mr. MONTAGUE, *Chairman*; Messrs. COMFORT, ELLIOTT, HADLEY, LEWIS, NOETZEL, RENCHARD, SHEPERD and WOOSTER.

COMMITTEE ON AUDIT:

Mr. LEWIS, *Chairman*; Messrs. BUCKNER, GORDON, HADLEY, RENCHARD and SHEPERD.

PENSION COMMITTEE:

Mr. WOOSTER, *Chairman*; Messrs. ARCHER, COMFORT, ELLIOTT, LEWIS, MARUSI and MONTAGUE.

OFFICERS

FRANCIS R. ELLIOTT, <i>President</i>	•	ROY D. WOOSTER, <i>Chairman of the Board</i>
HARRY L. ARCHER, <i>Executive Vice President</i>		EUGENE J. SULLIVAN, <i>Vice President</i>
AUGUSTINE R. MARUSI, <i>Executive Vice President</i>		DOUGLAS T. ORTON, <i>Secretary</i>
THOMAS W. BIGGS, <i>Vice President</i>		EDWIN S. PATIENCE, <i>Treasurer</i>
CECIL I. CROUSE, <i>Vice President</i>		LOUIS CSENGE, <i>Assistant Vice President</i>
MILTON FAIRMAN, <i>Vice President</i>		E. CLARK DAVIS, <i>Assistant Vice President</i>
RAYMOND J. KUNZ, <i>Vice President</i>		HARRY N. WEBSTER, <i>General Controller</i>
THEODORE G. MONTAGUE, JR., <i>Vice President</i>		ROBERT G. BELL, <i>General Auditor & Assistant Treasurer</i>
EVERETT L. NOETZEL, <i>Vice President</i>		HARRY F. BREMER, <i>Assistant Treasurer</i>
WALTER R. OLMSTEAD, <i>Vice President</i>		RICHARD J. MCGOLDRICK, <i>Assistant Treasurer</i>
JACK B. PENTZ, <i>Vice President</i>		KENNETH J. NEAGLE, <i>Assistant Secretary</i>
		FRANCES I. REILLY, <i>Assistant Secretary</i>

BOARD OF OFFICERS: Mr. ELLIOTT, *Chairman*; Messrs. ARCHER, BIGGS, CROUSE, CSENGE, FAIRMAN, KUNZ, MARUSI, MONTAGUE, JR., NOETZEL, OLMSTEAD, ORTON, PATIENCE, PENTZ, SULLIVAN, WOOSTER and JEAN J. CHAREST, *President, The Borden Company, Limited.*

CORPORATE DATA

EXECUTIVE OFFICES: 350 Madison Avenue, New York, N. Y. 10017
COUNSEL: Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, N. Y. 10005
CAPITAL STOCK DATA: Transfer Agent, The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, N. Y. 10015; Dividend Disburser, The Borden Company, 350 Madison Avenue, New York, N. Y. 10017; stock listed on the New York Stock Exchange.

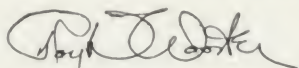
■ The year 1964 was the most successful in the Company's 108-year history. Sales were again at an all-time high, as they have been in every year since 1958. Profits were at record levels for the ninth consecutive year. Reflecting this steady improvement in earnings, dividends were increased twice during the year.

A number of factors contributed to the Company's improvement in 1964. Among them were the vigor and strength of the national economy and its consequent favorable business climate that benefited all units of the Company; an expanded product line; greater operating efficiencies; further emphasis on higher margin products, and lower taxes.

Our chemical products were in strong demand, reflecting the high level of industrial activity in 1964 as well as the greater variety of products. There was encouraging improvement in our dairy business, aided by a slight but meaningful upturn in commercial per capita consumption of milk and frozen dairy products and by our introduction of new specialty items.

During the year we further strengthened our position in the promising and steadily expanding field of convenience and specialty foods. Contributing to the improvement in sales of these items was a more extensive variety of products as well as their broader distribution. We also benefited from the growth of the food industry generally as total food expenditures rose to an all-time high while falling to a new low in share of disposable consumer income.

A significant development within the Company was the decision to enter the agricultural chemicals field. This was accomplished by the acquisition of the Smith-Douglass Company, Incorporated, an important producer of fertilizers and other farm and garden chemicals. We believe this move into agricultural chemicals will put us in a favorable position to benefit from the growth potential of the industry as well as to carry forward our program of further diversification of our chemical business — a factor of increasing consideration as chemicals assume a larger share of total Company sales.



Chairman of Board of Directors

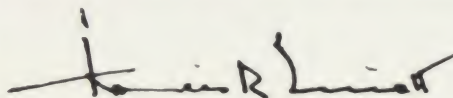


Steps have already been taken to promptly exploit this new opportunity. An Agricultural Products Group has been formed within our Chemical Company, and construction of facilities to serve this group as well as other of our chemical operations is now under way.

The fast pace of new-product development and marketing set in 1963 was maintained in 1964. As indicated in the past, it would be unusual if all the new items introduced were to prove permanently successful; the modern techniques that industry uses to measure consumer acceptance of a product in advance of its introduction are not yet infallible. Nonetheless, our ratio of successes to failures in marketing new products is gratifying and warrants our continued vigorous support of an aggressive research and development program.

As to the outlook for 1965, on the basis of predictions for the economy as a whole and particularly for those segments directly related to our business, we look forward with confidence to further new highs in sales and earnings. In addition to the fundamental objective of maintaining a steady upward trend of the Company's business, our efforts during the coming year will be directed toward the equally essential task of broadening and strengthening the foundations on which the long-term future growth and expansion of the Company must be built.

To assess fully the Company's accomplishments in 1964 requires that recognition be given to those who contributed so greatly to them: the men and women of the Borden organization, for their loyalty and dedicated efforts; the members of the Board of Directors, for their interest and wise counsel, and the stockholders, for their helpful support and confidence. We are grateful for these efforts, which have contributed so significantly to the progress of the Company.



President



**message
to
stockholders
and
employees**

FEBRUARY 23, 1965

**record
sales and
profits**

■ Sales and profits climbed to record levels in 1964.

Sales totaled \$1,293,439,144, an increase of 9.3% from \$1,183,860,621 in 1963.

As it has in every year since 1955, net income set a new high, rising to \$45,485,901. This was 17.8% above the \$38,628,622 earned in 1963. Earnings per share were \$3.73, up 14.1% from \$3.27 a year earlier.

The rate of profit per dollar of sales was 3.52 cents, compared with 3.26 cents in 1963. In the ten years through 1964, return on sales averaged 2.91 cents per dollar.

**dividend
increased**

■ The quarterly dividend payment was increased twice during the year: from 47½ cents to 50 cents a share on June 1, and from 50 cents to 52½ cents a share on Dec. 1, our 219th consecutive dividend. The increases brought total dividends paid in 1964 to \$2.00 per share, compared with \$1.77½ per share paid in 1963.

**working
capital**

■ On Dec. 31, current assets were \$316,659,100 and current liabilities, \$117,075,248 (a ratio of 2.70 to 1), leaving a balance of \$199,583,852 as working capital. This was an increase of \$10,185,843 from a year earlier, when working capital was \$189,398,009, and the ratio was 2.75 to 1.

**sales
abroad
improve**

■ Dollar and tonnage sales of our unconsolidated foreign subsidiaries increased from 1963. Profits — in terms of the currencies of the countries in which these subsidiaries are located — were substantially ahead of those in 1963. In terms of U. S. dollars, however, net income declined, due solely to a shrinkage in the exchange value of some foreign currencies, primarily the Brazilian cruzeiro.

Net sales of our foreign subsidiaries totaled \$95,484,613, compared with \$92,435,479 in 1963. The Company's equity in their operating net income was \$6,066,678. This was an increase of \$746,100, or 14%, from the comparable figure of \$5,320,578 in 1963. However, consistent with prescribed accounting practice, in recording the Company's equity in net income, effect has been given to losses that would occur should net current assets be converted to U. S. dollars at rates of exchange prevailing at year end. This charge, captioned "Company's portion of unrealized exchange loss" on the income statement, was \$1,978,772 in 1964, compared with \$462,237 in 1963. After deducting this charge, our equity in net income was \$4,087,906, against \$4,858,341 a year earlier. (See combined balance sheets and statements of income on page 19.)

After applicable U. S. income taxes, dividends paid to the Company and included in its net income amounted to \$2,764,837, compared with \$2,475,877 in 1963.

An increase in our investments in and advances to unconsolidated foreign subsidiaries, from \$3,724,147 on Dec. 31, 1963, to \$13,078,164 a year later, was due primarily to the liquidation of Borden International Ltd., an unconsolidated Canadian subsidiary, and the transfer of its investments and liabilities to the parent Company. This liquidation was for the purpose of reducing U. S. taxes on the receipt of foreign dividends. At year end, our equity in the net assets of our unconsolidated foreign subsidiaries exceeded our investment by \$28,275,143.

Effective March 1, we acquired a 50% interest in Gallina Blanca, S. A., a leading Spanish food company with headquarters in Barcelona. Gallina Blanca makes concentrated chicken and beef broths, dehydrated soups, carbonated and non-carbonated powdered drink mixes, custard and other pudding mixes, and chewing gum. These are distributed throughout Spain.

Cia Casco S.A.I.C., our chemical affiliate in Argentina, began construction of a methanol plant near Buenos Aires. Our British subsidiary, Leicester, Lovell & Co., Ltd., enlarged its facilities near Southampton, England, for the manufacture of vinyl acetate emulsions.

Approximately \$4,700,000 worth of new plant and equipment will be added by our unconsolidated foreign subsidiaries during 1965. Among the major projects scheduled are the following:

Leicester, Lovell: a manufacturing plant for *Resinite* polyvinyl chloride packaging film; The Borden Chemical Company (Philippines), Inc.: a plant at Davao City, on Mindanao Island, for making formaldehyde and synthetic resins; and Gallina Blanca: a hydrogenating plant.

■ The most extensive single-year modernization and expansion in the Company's history took place during 1964. The value of new plant and equipment obtained was about 80% greater than the average for the preceding five years.

In 1964 we obtained about \$65,500,000 worth of new facilities. Of this amount, about \$22,800,000 was provided by depreciation and depletion accruals and \$10,700,000 came from retained earnings. Approximately \$32,000,000 worth of equipment was leased.

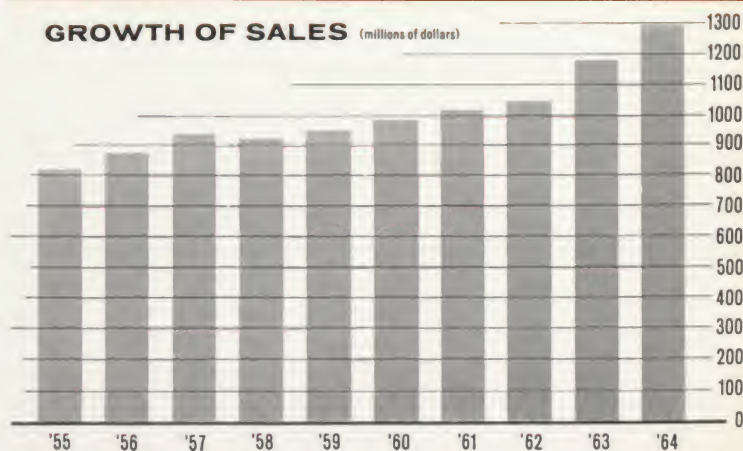
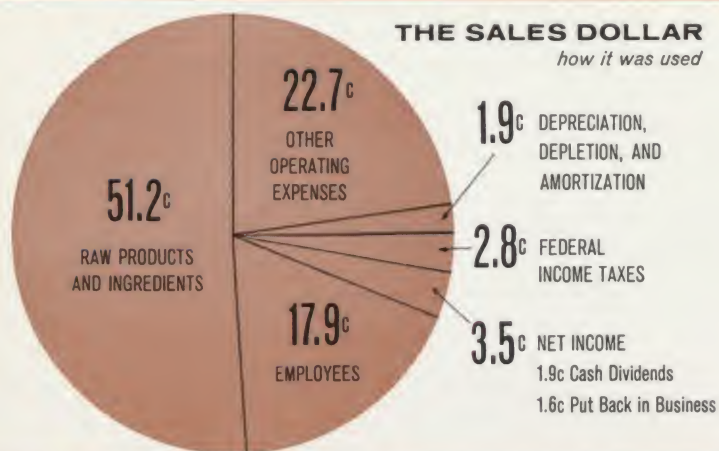
The Company's growing and increasingly diversified business will necessitate even greater outlays in 1965. Our budget calls for about \$72,700,000 worth of new buildings and equipment. Included are facilities for our Chemical Company's Agricultural Products Group, formed early in 1965 following the acquisition of the Smith-Douglass Company, Incorporated. Of this amount, depreciation and depletion accruals will furnish approximately \$24,000,000; retained earnings, about \$16,700,000. Equipment worth about \$32,000,000 will be leased. In addition, we shall acquire by lease equipment worth approximately \$4,200,000 for use by Monochem, Inc., a basic chemical converter in which we have a joint interest. This equipment will complete an expansion of facilities, begun in 1964 and to go on stream late in 1965, for converting acetylene and vinyl chloride monomer at Geismar, La.

Construction activity during 1964 was both widespread and vigorous. At year end, work had been completed or was under way on a score of major projects.

In December, the new milk processing plant of Borden's Milk and Ice Cream Company, at Woodstock, Ill., was put in operation. This is the largest facility of its kind in the country, with a capacity of 2,000,000 pounds of milk a day. To handle its output, which supplies customers in the Chicago Metropolitan Area, a processing plant in Chicago and one in Hammond, Ind., were converted to milk distribution branches, and a new distribution branch was built near O'Hare International Airport. Our Chicago ice cream manufacturing plant will also be modernized and enlarged.

expansion program accelerates

5



White Lamb plastic panties and disposable tissue diapers, which were being test marketed at year end by the Borden Foods Company, are modeled by the Fischer Quintuplets, of Aberdeen, S.D. From left: Mary Ann, Mary Margaret, James Andrew, Mary Magdalene, and Mary Catherine.



(Right) Members of the Borden Kitchen staff at work on recipes using several Company products. Staff home economists completed 339 projects in 1964. (Far right) A group of Borden Directors watch a ribbon of vinyl move through a calender at our Chemical Company's Plastic Fabrics Division plant at Columbus, O. The Board of Directors visited chemical and milk and ice cream installations at Columbus in May.



More than 150 newspaper food editors, in New York for their annual conference, were guests at our World's Fair exhibit. Here, Mrs. Carol Voshall, of the Phoenix (Ariz.) Gazette, is welcomed by Borden's President, Francis R. Elliott. Assisting him are Augustine R. Marusi (left) and Harry L. Archer, Executive Vice Presidents.



Major alterations were completed on an ice cream manufacturing plant at Augusta, Ga., and a fluid milk processing and ice cream distribution plant at Tallahassee, Fla. At year end, construction was under way on a milk processing plant at Lafayette, La. Early in January, 1965, milk processing began at a new plant at Stratford, Conn., which is the largest of its kind in the state.

Among the milk and ice cream projects scheduled for 1965 are a new milk processing and ice cream distribution plant at Fresno, Calif., and substantial enlargement of ice cream facilities at Columbus, O., and milk processing facilities at Milwaukee, Wisc., and Des Moines, Ia.

The Borden Chemical Company was the busiest Division in construction activity during 1964, with the following twelve projects completed by year end: Springfield, Ore. — a 100,000,000-pound formaldehyde plant; Sheboygan, Wisc. — a 45,000,000-pound formaldehyde plant; Fremont, Calif. — a new ink plant, additional facilities for protein adhesives, and additional capacity for formaldehyde; Dallas, Tex. — a new ink plant; Illiopolis, Ill. — increased capacity for polyvinyl chloride resin, added facilities for polyvinyl acetate, and added facilities for butadiene-styrene; Compton, Calif. — the West Coast's first plant for *Resinite* polyvinyl chloride blown film; North Andover, Mass. — added capacity for *Resinite* packaging film; Northfield, Ill. — new office, plant and warehouse facilities for the Plastic Fabrics Division's Mystik Tape operations.

At year end, work was under way on expansion of the Chemical Company's petrochemical complex at Geismar. Construction was in process on added facilities which, when they go on stream late in 1965, will more than double methanol capacity to 80,000,000 gallons a year and increase vinyl acetate monomer capacity by two-thirds to 75,000,000 pounds a year. Engineering work was under way on a new acetic acid plant, scheduled for start-up in mid-1966, which will have a capacity of 67,000,000 pounds of product a year.

Operations of The Borden Chemical Company were strengthened and further diversified with the acquisition of the Smith-Douglass Company, Incorporated. With this move, the Chemical Company became an important producer of fertilizers, animal feed supplements, nitrogen, and lawn food, with plants at 18 locations which serve areas principally in the Midwest, Southeast, and Southwest.

The Chemical Company will begin construction of the following major projects during 1965:

Geismar — an ammonia and a urea plant, with daily capacities of 1,000 tons and 500 tons, respectively, scheduled for shake-down in 1966 and commercial operation in January, 1967; Plant City, Fla.—a phosphoric acid and agricultural derivatives facility, to go into operation in the last half of 1966; Columbus, O. — a new calender and new embossers and printers, the bulk of which equipment will have been installed by the end of 1965; Illiopolis — a new plant for *Resinite* packaging film; Compton, expansion of the *Resinite* blown film plant; Fremont — a larger, more modern packaging adhesives plant to replace one destroyed by fire; and Northfield — new equipment and added warehouse facilities for Mystik Tape operations. The Illiopolis, Compton, Fremont, and Northfield projects are scheduled for completion in 1965.

The Borden Foods Company expanded its principal cheese processing and packaging plant at Plymouth, Wisc. A combination central warehouse and can manufacturing plant was completed at Lyons, N. Y., and the Comstock Foods Division added apple concentrating facilities at Egypt, N. Y.

The Wise Potato Chip Company, Berwick, Pa., was acquired in October and its operations put under the direction of the Borden Foods Company.

expansion program accelerates

(Continued from page 5)

product line broadens

Among the expansion activities planned by Borden Foods in 1965 are the installation of new equipment at Wellsboro, Pa., for processing canned chocolate drinks and milk shakes, and the construction of a new cheese warehouse and the addition of new cheese-making facilities at Van Wert, O. The F. H. Snow Canning Co. will install equipment at Pine Point, Me., for the production of *Clam Crisps*, a new clam-flavored snack.

Operations of the Borden Special Products Company were strengthened and enlarged with the acquisition in November of John Robert Powers Products Co., Inc., a well-known distributor of cosmetics with headquarters in New York City.

The Special Products Company added new facilities at its Hampshire, Ill., plant for its newly developed pet and animal feed specialties. Expansion took place at two locations in Elgin, Ill.: at one, facilities were installed for the manufacture of ready-to-feed infant formula products; at the other, cosmetic manufacturing facilities were enlarged to meet increased demand for *Marcelle* products. In 1965, this Division plans to construct additional warehouse facilities at New Ulm, Minn., for the storage of baking-industry specialties manufactured there.

■ Our research and development program contributed more than three-score new food and non-food products during the year. These are exclusive of product modifications, flavor varieties, and packaging changes.

The following were among the new products developed by the Company in 1964 and at various stages of marketing at year end — in either national distribution, regional distribution, selected sectional distribution, or test markets:

The Borden Chemical Company: *Resinite* low-temperature reinforced vinyl garden hose, *Elmer's Mystik* spackling vinyl paste, *Mystik* package sealing tape, *Resinite* polyvinyl chloride packaging film, *Vita-Brite* high-gloss coatings for fruits and vegetables, a "hot box" resin system for core castings of metals, and five industrial adhesives for specialized use.

Borden Foods Company: *Moola Koola* milk based soft drinks in cans, canned refrigerated milk shakes, chocolate drink mix in envelopes, *Cremora Whip* in envelopes (a non-dairy dessert topping), two varieties of refrigerated, ready-to-bake rolls (*Finger Rolls* and *Onion Horn Rolls*), *Coffee Combo* (pre-lightened Colombian instant coffee), *Candy Cow* powdered milk chocolate mix, and five varieties of freeze-dried *A La Carte* dinners; Brandywine Mushroom Company—*Magic Freeze Process* frozen mushrooms; Old London Foods Co.—*White Melba Rounds*, and *Bar B-Q Flavored Corn Doodles*; ReaLemon Co.—frozen low calorie concentrate for lemonade, and cocktail mix; F. H. Snow Canning Co.—*Clam Crisps*, and Wyler & Co.—instant iced tea mix, and *Chunk Chicken and Noodle Soup Mix*.

Borden's Milk and Ice Cream Company: *Lady Borden* French ice cream in seven flavors, low-calorie fruit drinks, *Green Chili Dip* (sour cream with Jalopena peppers), sterilized whipping cream in cans, sour half and half, fresh milk shakes, *Coffee an* (a vegetable product with 12% fat), and *Tic-Tac-Toe* (a three-flavor ice cream combination). This Division also marketed six new ice cream flavors and three new ice cream novelties.

Borden Special Products Company: *Bremil* and *Mull-Soy* prepared infant formula products in disposable nursing bottles, *Gusto* (a feed additive for dry dog foods), *Mirra-Coat (E)* (a coat-conditioning feed supplement for horses), and seven cosmetic items in the *Marcelle* line, exclusive of new shades in five items.

Drake Bakeries Division: *Fruit Doodles* (miniature iced turnovers) in apple and cherry varieties.

■ On May 1, the first offering was made under the Employees Stock Purchase Plan, which was approved by stockholders at the Annual Meeting on April 15; 14,082 employees subscribed for a total of 314,386 shares to be paid for by payroll deductions over a 24-month period.

employee benefits

Benefit payments under our Company-sponsored group insurance and retirement income plans rose to \$6,833,671 in the plan year ended March 31, 1964.

A Group Long Term Disability Insurance Plan will be added to the Company's benefits program for United States employees, effective April 1, 1965. A similar plan will be offered to employees in Canada as soon as the provisions of a pending Canadian government pension proposal are finalized. The Plan, to which employees will contribute, provides protection against the economic loss resulting from prolonged periods of disability.

The roll of Borden's Quarter Century Club increased to approximately 7,370 active and retired employees with the induction of 304 new members. Two employees were honored for 50 years, and 136 for 40 years of service.

■ Our vehicle accident frequency rate for 1964 was the lowest in Borden history — 16% below 1963. The frequency rate of employee disabling injury accidents was 8% below 1963. The frequency rates of employee and vehicle accidents of a severe nature declined 55% and 42%, respectively, from the prior year.

■ There were several significant developments in litigation.

The United States Court of Appeals for the Fifth Circuit granted a petition by the Company and set aside a cease and desist order issued by the Federal Trade Commission, which had ruled that the Company had engaged in unlawful price discrimination in the sale of Borden brand and private label evaporated milk.

The United States Court of Appeals for the Seventh Circuit, on petition by the Company, set aside in its entirety a ruling of the Federal Trade Commission that the Company had violated the Robinson-Patman Act by selling fluid milk in interstate commerce at discriminatory prices.

A civil suit for triple damages, charging the Company with monopolizing the processing and distribution of milk and dairy products in the Greater Kansas City marketing area, was withdrawn by the plaintiff in January, 1965. The Company and other dairy concerns were named defendants in criminal and civil anti-trust suits, brought in the Federal District Court in Albuquerque, N. M., charging conspiracy to fix prices and allocate sales of milk to certain schools in Southeastern New Mexico.

There were one new state and two new private civil anti-trust cases. In these, as well as in anti-trust matters pending from prior years (referred to in previous Reports) and in the normal litigation arising from day-to-day operations, the Company's interests are being vigorously pursued.

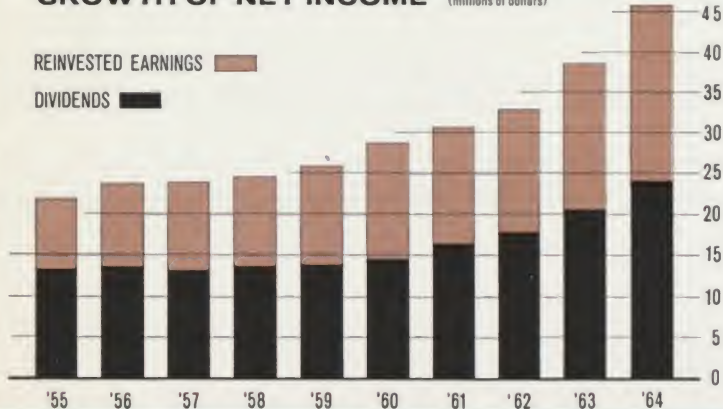
**safety
improves**

**developments
in litigation**

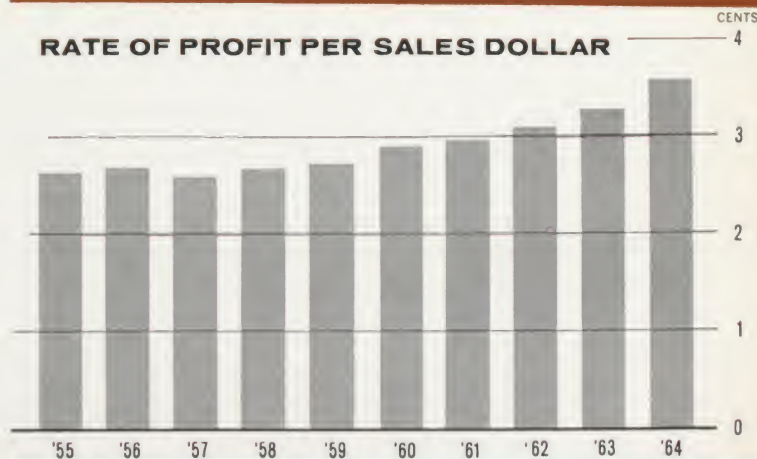
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GROWTH OF NET INCOME (millions of dollars)

REINVESTED EARNINGS
DIVIDENDS



RATE OF PROFIT PER SALES DOLLAR



(Right) Paul McCartney, of the rock 'n roll group, the Beatles, takes a meal on the run during American appearance. (Far right) Elizabeth and Jane Marsh, 12-year-old twins, beam as purebred Jersey owned by parents is chosen winner of a contest for a new Elsie to star in Borden's World's Fair exhibit.



The nation's largest milk processing plant was placed in operation in December at Woodstock, Ill., by Borden's Milk and Ice Cream Company. The plant, which serves customers in the Chicago Metropolitan Area, has 118,000 square feet of floor space and a capacity of 2,000,000 pounds of milk a day.



This self-propelled drag line excavator is used by our Chemical Company to mine phosphate rock in Florida. Its 195-foot boom can handle a suspended load of 51 tons, including the weight of the 20-cubic-yard bucket. Weight with load is 972½ tons; distance from ground to cab, 30 feet.



■ Dollar sales and tonnage of The Borden Company, Limited, increased from 1963 despite strong competition in most markets. Earnings improved substantially, due to better profit margins and to increased efficiency resulting from modernization at several principal operations.

In the fall of 1964, Rainbow Dairies, Limited, was acquired — a move that should broaden distribution of fluid milk in Niagara Falls, Ont., and extend it to neighboring Thorold and St. Catharines. To improve distribution of grocery products, a major reorganization of the sales department was carried out. Grocery products are now being sold by appointed brokers in all areas of Canada except Newfoundland, where Company representatives are still maintained.

To handle surplus butterfat, the Tillsonburg, Ont., and Nicolet, Que., plants installed new butter manufacturing facilities. At Tillsonburg, a new warehouse was constructed with a capacity of 2,500,000 pounds of whole milk powder for export.

Vitamin C was added to canned partially skimmed milk and to evaporated milk. This is expected to help reduce the incidence of infantile scurvy in isolated parts of Canada. Early in 1965, a powdered non-dairy coffee and tea lightener will be marketed under the name *Cremelle*.

The Borden Company, Limited, solidified its corporate television campaign in 1964. The campaign's aims are to coordinate the selling power of the fluid milk, ice cream, grocery, and cheese departments, and at the same time strengthen the Company's image.

The Borden Chemical Company (Canada) Ltd. completed a *Resinite* packaging film plant at West Hill, Ont., which will be expanded in 1965, and opened new facilities at Montreal for adhesives and coatings. It began manufacturing specialized packaging adhesives, which had formerly been imported from our United States plants.

■ The Company's exhibit in the Better Living Center at the New York World's Fair attracted almost 4,000,000 visitors, 792,520 of whom attended 4,657 performances of the musical revue, "All About Elsie," which featured the live Elsie the Cow and a cast of two-dimensional animated characters. A total of 1,986 food demonstrations was also given, using recipes calling for 11 Company products. Our exhibit will reopen for the 1965 season.

The Company was granted sole and exclusive worldwide license to use the Fischer Quintuplets and other members of the family of Mr. and Mrs. Andrew J. Fischer in advertising, sales promotion, and related publicity covering all Borden products. The license agreement is for a three-year term, and became effective Sept. 14, the first birthday of the quintuplets. We have an option for renewals of the agreement.

Advertising activities were stepped up as new products were introduced, distribution of other products was widened, and promotional campaigns for established products were developed. All major media were used, the principal outlets being national magazines, newspapers, radio, and television.

The President's Advertising Campaign for Expansion (PACE), a corporate program which also supports Divisional advertising efforts in behalf of consumer products, was extended in 1964. Beginning in October, PACE expanded its coverage from eight to ten daytime television shows, on the ABC and NBC networks. The commercial schedule has been renewed for the first half of 1965.

■ Following the Annual Meeting on April 15, Roy D. Wooster was elected Chairman of the Board of Directors, subsequently relinquishing his position as an Executive Vice President of the Company. Theodore G. Montague, whose term as Chairman had expired, did not stand for re-election. He continues as a Director and Chairman of the Board's Finance Committee.

canadian business gains

advertising activities increase

changes in management

company ownership expands

On Sept. 29, Francis R. Elliott was elected President, effective Oct. 1, to succeed Harold W. Comfort, who retired after 46 years' service with the Company, almost nine of them as President. Mr. Comfort continues as a Director and Chairman of the Executive Committee of the Board.

Mr. Elliott joined Borden's as a lawyer in 1929, and at the time of his election to the presidency was an Executive Vice President, a position he had held since 1959. He has been a Director since 1959. Also on Sept. 29, Harry L. Archer and Augustine R. Marusi were elected Executive Vice Presidents. Mr. Archer, who came to Borden's in 1927, was elected a Vice President of the Company and named President of Borden's Milk and Ice Cream Company in 1960. He was elected a Director in 1962. Mr. Marusi, a chemical engineer, joined the Company in 1939, and was appointed President of The Borden Chemical Company in 1954. He was elected a Vice President of The Borden Company in 1955 and a Director in 1959.










Effective Oct. 5, Walter R. Olmstead, Jack B. Pentz, and Eugene J. Sullivan were appointed Divisional Presidents, and on Oct. 27 were elected Vice Presidents of the Company.

Mr. Olmstead, who started with Borden's as a clerk in 1937, was named President of the Borden Foods Company, succeeding James V. Bassett, who died Sept. 18. Mr. Olmstead had been an Executive Vice President, in charge of international operations, since 1962. Mr. Pentz, who succeeded Mr. Archer as President of Borden's Milk and Ice Cream Company, came to the Company in 1928 as a milk quality control supervisor, and was appointed Executive Vice President of the Division in 1962. Mr. Sullivan, who joined The Borden Chemical Company as a salesman in 1946, and 12 years later became its Executive Vice President, was named to succeed Mr. Marusi as President of that Division.

■ On Dec. 31 there were 12,389,000 shares of capital stock outstanding, compared with 10,881,500 on the same date a year earlier. At year end, we had 51,280 shareholders, including 2,090 owners of the Smith-Douglass Company, Incorporated, which was acquired on Dec. 30. On Dec. 31, 1963, there were 48,566 stockholders of record.

The average stockholding was 242 shares, as compared with 224 shares in 1963. No individual stockholder of record held as much as 1% of the outstanding stock.

For businesses acquired during the year we issued 1,483,848 shares of our stock. We also issued 74,816 shares under the employees' stock option and stock purchase plans, and purchased 51,164 shares for our treasury.

OWNERSHIP OF THE COMPANY*		STOCKHOLDERS		SHARES	
		Number	%	Number	%
	WOMEN	23,107	45.1	3,308,261	26.7
	MEN	16,861	32.9	3,314,462	26.8
	JOINT ACCOUNTS	5,508	10.7	422,289	3.4
	TRUSTS & ESTATES	2,958	5.8	720,006	5.8
	BROKERS, BANKS & NOMINEES	1,313	2.6	3,797,697	30.7
	NON-U.S. SHAREHOLDERS	735	1.4	99,026	0.8
	CHARITIES, CHURCHES, SCHOOLS, ETC.	298	0.6	84,009	0.7
	INSURANCE & PENSION FUNDS	179	0.3	412,507	3.3
	FOUNDATIONS	76	0.1	137,772	1.1
	ALL OTHERS	245	0.5	92,971	0.7
	TOTAL	51,280	100.0%	12,389,000	100.0%

*Based on "stockholders of record;" does not include unknown numbers of individuals, funds, etc., whose shares are held in names of Brokers, Banks & Nominees.

THE BORDEN COMPANY

PRINCIPAL OPERATIONS

The Borden Chemical Company

PRESIDENT: Eugene J. Sullivan

This Division serves, among others, the plywood, packaging, agricultural, paper coating, paint, transportation, and foundry industries with hundreds of products ranging from resin adhesives to printing inks. It is the leading manufacturer of adhesives, operates more formaldehyde plants than any other company, is an important producer of fertilizers,

and markets an extensive line of consumer products that includes Elmer's Glue-All, Wall-Tex vinyl wallcoverings, and Mystik Tapes. It is an important supplier to the chemical industry of such basic raw materials as methanol, vinyl chloride monomer, vinyl acetate monomer, and formaldehyde. It has plants in nine countries outside the United States.



Borden Foods Company

PRESIDENT: Walter R. Olmstead

This Division markets the Company's original product, condensed milk, but it also sells hundreds of other food products. Its milk-related items include, besides condensed milk, all kinds of cheeses, evaporated milk, and canned milk shakes. Among its convenience foods are instant coffee, instant omelets, mince meat, refrigerated biscuits, and instant

potatoes. It also markets such well known items as Aunt Jane's pickles, Brandywine mushrooms, Cracker Jack, Comstock pie fillings and vegetables, Greenwood's beets and cabbage, Old London snack foods, ReaLemon concentrated lemon juice, Snow's clam products, Tropical glacé fruits, Wise potato chips, and Wyler's dry soup and beverage mixes.



Borden's Milk and Ice Cream Company

PRESIDENT: Jack B. Pentz

This Division sells milk in 31 states and ice cream in 37 states. Its product line covers the full range of dairy items, from regular whole milk and ice cream to egg nog. Among its specialty items are multi-vitamin-mineral fortified whole and skimmed milks, modified-fortified low fat milk, cottage cheese, sour

cream, chocolate flavored milk and drink, Lady Borden premium quality regular and French ice creams, Special Formula ice cream for diabetics, and ice cream novelties. In recent years it has introduced aseptically canned sterilized dairy products such as egg nog and whipping cream.



Borden Special Products Company

PRESIDENT: Raymond J. Kunz

This Division's first product, in 1936, was a poultry feed supplement, which it still manufactures. Today, its product line is one of the most varied in the Company. It includes pet food and animal feed supplements as extensions of the original product area. It also ranges over such items as Marcelle and John

Robert Powers cosmetics, bakers' ingredients, dermatological products, vitamin-mineral food fortifiers, Bremil and Mull-Soy infant foods and ready-to-feed formulas, beverage bases, confectionary and ice cream ingredients, fountain specialties, and dairy and food plant sanitizers and lubricants.



Drake Bakeries

PRESIDENT: Theodore G. Montague, Jr.

This Division serves a ten-state area from Maine to Maryland from plants located at Brooklyn and Long Island City, N. Y.; Roxbury, Mass., and Irvington, N. J. Its products include bakery specialties sold under such

brand names as Yankee Doodles, Ring Dings, Devil Dogs, Funny Bones, and Yodels, as well as coffee rings and cakes, pound cakes, and cookies. Founded in 1902, it was established as a Division in 1962.



The Borden Company, Limited

PRESIDENT: Jean J. Charest

The Borden Company, Limited, provides Canadians with many of the food and dairy products available to Borden customers in the U. S., as well as with other food items developed especially for the Canadian market. Its 15 plants in 14 cities produce a full line of fluid milk and ice cream products, a

dozen types of cheeses, evaporated and condensed milks, flavored drink mixes, powdered whole and skim milks, mince meat, and frozen and powdered eggs. It also markets such items as instant coffee and a non-dairy powder for coffee, Cremelle, imported from Borden plants in the United States.



CONSOLIDATED BALANCE SHEET

December 31

ASSETS	1964	1963
CURRENT ASSETS		
Cash	\$ 44,025,363	\$ 37,335,856
U. S. Government and other marketable securities (At cost, not in excess of market value)	29,135,520	44,318,586
Receivables (Less allowances for doubtful accounts)	113,632,973	103,665,093
Inventories		
Finished goods	89,410,170	76,899,399
Materials and supplies	40,455,074	35,592,051
TOTAL CURRENT ASSETS	316,659,100	297,810,985
OTHER ASSETS (At Cost)		
Investments and advances		
Foreign subsidiary companies	13,078,164	3,724,147
Domestic associated companies	3,169,730	1,481,240
Securities on deposit (Pursuant to Workmen's Compensation Laws, etc.)	1,804,446	1,788,565
Mortgages, receivables, etc. (Less allowances for doubtful accounts)	11,409,015	12,076,390
TOTAL OTHER ASSETS	29,461,355	19,070,342
PROPERTY AND EQUIPMENT (At Cost)		
Land	20,802,318	21,110,177
Buildings	144,046,642	137,373,862
Machinery, equipment, etc.	287,321,423	266,037,389
TOTAL PROPERTY AND EQUIPMENT	452,170,383	424,521,428
Less accumulated provision for depreciation	193,669,714	179,586,474
NET PROPERTY AND EQUIPMENT	258,500,669	244,934,954
DEFERRED CHARGES	8,156,610	8,829,955
INTANGIBLES	64,109,766	39,081,703
TOTAL	\$676,887,500	\$609,727,939

See pages 17 and 18 for notes to financial statements.

December 31

LIABILITIES

CURRENT LIABILITIES

Payables and accrued liabilities	\$ 87,834,839	\$ 79,315,818
Accrued taxes	<u>29,240,409</u>	<u>29,097,158</u>
TOTAL CURRENT LIABILITIES	117,075,248	108,412,976

LONG-TERM DEBT

27/8% Debentures due 1981	40,000,000	41,750,000
43/8% Debentures due 1991	50,000,000	50,000,000
53/8% Notes due 1981	11,700,000	12,000,000
31/2% Note due 1973	<u>950,000</u>	<u>1,000,000</u>
TOTAL LONG-TERM DEBT	102,650,000	104,750,000

RESERVES

Deferred federal taxes on income	21,990,887	20,671,717
Insurance, etc.	<u>7,425,264</u>	<u>7,006,364</u>
TOTAL RESERVES	29,416,151	27,678,081

STOCKHOLDERS' EQUITY

Capital Stock

The Borden Company — par value
\$7.50 per share. Authorized 16,000,000 shares

	<u>1964</u>	<u>1963</u>
Issued	12,452,606 shares	11,206,625 shares
Less treasury stock	<u>63,606 shares</u>	<u>325,125 shares</u>
Outstanding	12,389,000 shares	10,881,500 shares
	92,917,500	81,611,250
Smith-Douglass Company, Incorporated (combined with The Borden Company in 1964)		
Cumulative preferred	—	2,343,100
Cumulative second preferred	—	1,288,800
Common	—	5,086,548
Employees' stock purchase installments	4,688,424	—
Capital surplus	84,925,766	55,391,354
Earned surplus	245,214,411	223,165,830
(Earnings retained for use in the business)		
TOTAL STOCKHOLDERS' EQUITY	<u>427,746,101</u>	<u>368,886,882</u>
TOTAL	<u>\$676,887,500</u>	<u>\$609,727,939</u>

CONSOLIDATED INCOME AND EARNED SURPLUS

	Year Ended December 31	
	1964	1963
NET SALES	\$1,293,439,144	\$1,183,860,621
OTHER INCOME	8,635,989	8,388,575
(Includes interest and dividends—1964, \$7,146,501; 1963, \$6,712,396)		
TOTAL	<u>1,302,075,133</u>	<u>1,192,249,196</u>
LESS		
Cost of goods sold	1,076,142,698	994,771,472
Selling, general and administrative expenses and other charges — net	139,731,108	120,649,651
Interest expense	4,778,851	4,574,899
Provision for U. S. and Canadian federal income taxes . . .	35,936,575	33,624,552
TOTAL	<u>1,256,589,232</u>	<u>1,153,620,574</u>
NET INCOME for the year	45,485,901	38,628,622
EARNED SURPLUS at beginning of year (1964 includes accumulated surplus of \$711,960 of Smith-Douglass Company, Incorporated for the period from August 1, 1963 to December 31, 1963)	223,877,790	205,051,865
TOTAL	<u>269,363,691</u>	<u>243,680,487</u>
DIVIDENDS PAID		
The Borden Company (1964, \$2.00 a share; 1963, \$1.77½ a share)	22,376,859	19,107,218
Smith-Douglass Company, Incorporated (before combination with The Borden Company)		
Preferred	177,260	195,008
Common	1,595,161	1,212,431
TOTAL	<u>24,149,280</u>	<u>20,514,657</u>
EARNED SURPLUS at end of year	\$ <u>245,214,411</u>	\$ <u>223,165,830</u>
(Earnings retained for use in the business)		

See pages 17 and 18 for notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION, ETC.: The consolidated financial statements include all significant domestic subsidiaries and all Canadian subsidiaries. Net current assets of the Canadian subsidiaries were translated at the rate of exchange prevailing at year end; other assets and liabilities at rates as of dates of origin; and net income items (other than depreciation) at the rate of exchange prevailing at the end of each month.

During 1964, Smith-Douglass Company, Incorporated, was combined with The Borden Company in a pooling of interests wherein Smith-Douglass received 976,935 shares of The Borden Company capital stock. The financial statements for the year 1964 include the accounts of the combined companies for the calendar year. The financial statements for the year 1963 include the accounts of the Company and Smith-Douglass for their fiscal years ended Dec. 31, 1963, and July 31, 1963, respectively. Earned surplus at the beginning of 1964 includes the earned surplus of Smith-Douglass accumulated during the period from Aug. 1, 1963, to Dec. 31, 1963.

During 1964, Borden International Ltd., an unconsolidated wholly-owned Canadian holding company, was liquidated and its accounts, including investments in foreign subsidiaries, are included in the accounts of the parent Company. On page 19 appears financial information concerning foreign subsidiaries not consolidated and dividends received from them by the Company.

INVENTORIES: In valuing inventories, cost (reduced to market, if lower) was used. The inventories of certain products were valued on the last-in, first-out (Lifo) cost method, which valuations at Dec. 31, 1964, and Dec. 31, 1963, were less than the current costs of such products by approximately \$3,500,000 and \$4,000,000, respectively.

LONG-TERM DEBT: The Company shall pay into a sinking fund for its 2½% Debentures due 1981 a sum sufficient to redeem on March 1, 1966, and on each March 1 thereafter, to and including March 1, 1980, \$1,250,000 principal amount of these debentures, with the option to increase any payment by an amount not exceeding \$1,250,000. The sinking fund obligation due on March 1, 1965, was satisfied prior to Dec. 31, 1964, by delivery to and cancellation by the trustee of debentures of a principal amount of \$1,250,000. The Company also has purchased, and holds in its treasury, debentures of a principal amount of \$3,750,000, which are not shown as outstanding.

The Company shall pay into a sinking fund for its 4¾% Debentures due 1991 a sum sufficient to redeem on Dec. 1, 1967, and on each Dec. 1 thereafter, to and including Dec. 1, 1990, \$2,000,000 principal amount of these debentures, with the option to increase any payment by an amount not exceeding \$2,000,000.

The 5¾% Notes due 1981, assumed from Smith-Douglass, require the payment of annual installments of \$300,000 on Dec. 1, 1965 (which installment is included in current liabilities) and on Dec. 1, 1966; \$500,000 on Dec. 1, 1967 and 1968; and \$800,000 on each Dec. 1 thereafter to and including Dec. 1, 1981.

The 3½% Note due 1973 requires the payment of annual installments of \$50,000 on Nov. 15, 1965 (which installment is included in current liabilities) and on each succeeding Nov. 15, to and including Nov. 15, 1972.

CAPITAL SURPLUS: Capital surplus was credited during 1964 with \$2,263,679, the excess of the purchase price over par value of 74,816 shares issued pursuant to employee stock option and purchase plans; with \$32,198,614, the excess of fair value received over the par value of 312,683 shares reissued and 194,230 shares newly issued for businesses acquired; and with \$631,277, arising from capital stock transactions of Smith-Douglass from Aug. 1, 1963, to Dec. 31, 1964. Capital surplus was charged during 1964 with \$3,308,310, the excess of cost over par value of 51,164 shares acquired; with \$1,256,507, the excess of par value of 976,935 shares over the par value of outstanding common and unredeemed preferred stock of Smith-Douglass; and with \$994,341 representing costs incident to the pooling of interests.

STOCK OPTION AND PURCHASE PLANS: At the beginning of the year, 228,114 shares of capital stock of the Company were reserved for unexercised stock options and 48,840 shares were available for the granting of options in the future. During 1964, 74,599 shares were purchased and options for 664 shares were cancelled. At Dec. 31, 1964, there were 152,851 shares reserved for unexercised options and 48,840 shares remained available for the granting of options. Authority to grant options expires on April 18, 1966. At Dec. 31, 1964, there were also 18,792 shares of capital stock of the Company reserved for unexercised options assumed from Smith-Douglass.

The stockholders on April 15, 1964, approved an Employees Stock Purchase Plan, whereby not more than 900,000 shares of capital stock of the Company can be offered for purchase by employees. Payments are to be made in installments over a period not exceeding 27 months from the date of offering and an election to purchase may be cancelled in whole or in part at any time. The price at which shares may be offered may not be less than 85% of the fair market value of the stock on the day of the offering or at the expiration of the purchase period, whichever is lower. The first offering under the Plan was made on May 1, 1964, and 314,386 shares were subscribed to at a price of not more than \$62.90 per share. During the year, 217 shares were issued for retired and deceased participants. Subscriptions

continued...

... notes continued

for 16,202 shares were cancelled. At Dec. 31, 1964, 297,967 shares remained under subscription and 601,816 shares were available for future offerings. Employees' installment payments are reflected in the accompanying consolidated balance sheet as Stockholders' Equity.

DEPRECIATION, DEPLETION, AND RENTALS: Depreciation, depletion, and amortization of property and equipment charged to operations amounted to \$24,796,415 for 1964. Rentals amounted to approximately \$15,300,000 for 1964, of which \$10,600,000 was related to long-term leases that had initial lease periods generally from eight to 15 years.

DEFERRED FEDERAL TAXES ON INCOME: The Company provides out of income amounts equal to the reduction in federal income tax resulting from the use, for income tax reporting only, of accelerated methods of depreciation. The amount so provided in 1964 and included in the reserve for deferred federal taxes on income amounted to \$3,644,285.

The 1964 investment credit of \$2,981,329 was recorded as a reduction of the provision for federal income taxes. The investment credit balance of \$2,325,115 included in the reserve account at Dec. 31, 1963, was released from this reserve and the accrued tax liability was increased by a like amount.

EMPLOYEES RETIREMENT INCOME PLANS: The unfunded lump-sum cost of retirement income for past service under the Company's plans, which is borne by the Company, was estimated to be \$40,329,000 at Dec. 31, 1964.

The charge to operations for 1964 (including \$994,000 for the amortization of past service cost) was \$4,269,000. The trust funds under the plans had assets, stated at cost, of approximately \$59,940,000 at Dec. 31, 1964, the aggregate market value being greater than such cost. Since these assets are held in irrevocable trust for payment of retirement income, they are not included in the Company's consolidated balance sheet. The current annual rate of retirement income being paid under the Company's plans is approximately \$2,628,000.

Operations were also charged during the year with approximately \$4,052,000 consisting of payments to pension trusts on behalf of certain employees, covered by collective bargaining agreements, who have elected not to participate in the Company's plans, and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

CONTINGENCIES: The Company was guarantor of loans aggregating approximately \$43,000,000 at Dec. 31, 1964. Included therein is \$25,500,000 which represents the Company's portion of guarantees of loans payable by domestic associated companies.

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HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY, NEW YORK, N. Y. 10004

FEBRUARY 23, 1965

To the Stockholders and Board of Directors of The Borden Company:

We have examined the consolidated balance sheet of The Borden Company and Consolidated Subsidiaries as of December 31, 1964 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1964 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

THE BORDEN COMPANY

FOREIGN SUBSIDIARIES NOT CONSOLIDATED

	December 31	
COMBINED BALANCE SHEETS	1964	1963
Current assets	\$43,783,631	\$39,415,347
Investments and advances		
Associated companies — equity in net assets	12,061,013	3,022,512
Other	3,060,068	1,912,186
Property and equipment	22,460,402	21,212,247
(Less accumulated provision for depreciation)		
Deferred charges	1,491,971	1,562,465
Intangibles	1,499,231	1,557,802
TOTAL ASSETS	84,356,316	68,682,559
Current liabilities	28,997,529	29,737,645
Long-term debt (Exclusive of payables to Borden)	8,539,087	258,160
Reserves	1,449,138	1,267,990
LIABILITIES AND RESERVES	38,985,754	31,263,795
Net assets	45,370,562	37,418,764
Less minority interest	4,017,255	4,430,822
COMPANY'S EQUITY IN NET ASSETS	\$41,353,307	\$32,987,942

	Year Ended December 31	
COMBINED STATEMENTS OF INCOME	1964	1963
Net sales	\$95,484,613	\$92,435,479
Share of net income — associated companies	740,079	291,550
Other income	1,420,781	1,234,312
TOTAL	97,645,473	93,961,341
Less		
Cost of goods sold	73,552,769	70,235,082
Selling, general and administrative expenses and other charges — net	14,515,369	14,525,456
Interest expense	1,622,708	1,275,615
Provision for foreign taxes	2,243,983	2,084,188
TOTAL	91,934,829	88,120,341
Income before unrealized exchange loss	5,710,644	5,841,000
Less minority interest	(356,034)	520,422
COMPANY'S EQUITY	6,066,678	5,320,578
Company's portion of unrealized exchange loss	1,978,772	462,237
COMPANY'S EQUITY IN NET INCOME	\$ 4,087,906	\$ 4,858,341
Dividends to the Company	\$ 3,963,516	\$ 3,901,826
Less U. S. income tax applicable thereto	1,198,679	1,425,949
Remainder included in Company's net income	\$ 2,764,837	\$ 2,475,877

The above combinations include the financial statements of all majority-owned subsidiaries. The various foreign currencies were converted generally into their U. S. dollar equivalent in accordance with the practice for Canadian subsidiaries referred to in the Notes to Financial Statements on page 17. During 1961

\$1,113,042 representing prior years' adjustments, resulting primarily from a change in methods of conversion, was applied as a reduction of the Company's equity in net assets. The basis for valuation of investments in associated companies (50% owned) was changed retroactively during 1964 from cost to equity in net assets.

THE BORDEN COMPANY and Consolidated Subsidiaries

TEN YEAR SUMMARY

OPERATING (thousands of dollars)

	Net Sales	Payrolls	Taxes (U.S. & Canadian Federal Income)	Depreciation, Depletion, and Amortization	Net Income	Per Sales Dollar	Per Share**	Cash Dividends	Per Share**
1964*	\$1,293,439	\$231,975	\$35,937	\$24,796	\$45,486	3.52¢	\$3.73	\$22,377	\$2.00
1963*	\$1,183,861	\$212,179	\$33,625	\$22,681	\$38,629	3.26¢	\$3.27	\$19,107	\$1.77½
1962	\$1,047,902	\$193,460	\$29,110	\$17,846	\$32,354	3.09¢	\$3.05	\$17,998	\$1.70
1961	\$1,009,665	\$191,863	\$28,631	\$17,448	\$30,082	2.98¢	\$2.84	\$15,451	\$1.50
1960	\$ 990,971	\$190,833	\$26,324	\$15,494	\$28,720	2.90¢	\$2.75	\$14,857	\$1.50
1959	\$ 941,326	\$178,847	\$23,728	\$15,057	\$25,548	2.71¢	\$2.61	\$13,696	\$1.40
1958	\$ 915,024	\$178,811	\$21,632	\$15,393	\$24,612	2.69¢	\$2.53	\$13,614	\$1.40
1957	\$ 931,220	\$178,034	\$22,146	\$15,573	\$23,996	2.57¢	\$2.47	\$13,123	\$1.35
1956	\$ 876,987	\$164,966	\$20,951	\$15,130	\$23,602	2.69¢	\$2.41	\$13,216	\$1.35
1955	\$ 810,126	\$153,233	\$19,279	\$14,282	\$21,653	2.67¢	\$2.22	\$13,176	\$1.35

FINANCIAL (thousands of dollars)

	Working Capital	Current Ratio***	Inventories	Property and Equipment	Accumulated Depreciation	Net Property and Equipment	Long-Term Debt	Stockholders' Equity	Number of Stockholders	Number of Employees
1964*	\$199,584	2.70:1	\$129,865	\$452,170	\$193,670	\$258,500	\$102,650	\$427,746	51,280†	36,024
1963*	\$189,398	2.75:1	\$112,491	\$424,521	\$179,586	\$244,935	\$104,750	\$368,887	48,566	34,348
1962	\$165,068	2.97:1	\$ 93,373	\$367,284	\$158,626	\$208,657	\$ 94,800	\$305,920	48,919	30,994
1961	\$177,314	3.13:1	\$ 85,639	\$348,388	\$154,171	\$194,217	\$ 96,100	\$294,125	49,524	32,126
1960	\$132,815	2.67:1	\$ 80,959	\$329,634	\$148,407	\$181,227	\$ 47,150	\$276,096	48,954	33,154
1959	\$124,418	2.71:1	\$ 69,516	\$305,407	\$142,375	\$163,032	\$ 48,200	\$245,570	47,942	32,165
1958	\$124,255	2.67:1	\$ 67,011	\$292,358	\$139,211	\$153,146	\$ 50,250	\$231,904	48,358	33,718
1957	\$121,102	2.68:1	\$ 65,043	\$282,469	\$135,517	\$146,951	\$ 52,825	\$221,095	48,537	35,058
1956	\$118,232	2.67:1	\$ 62,167	\$266,579	\$127,647	\$138,932	\$ 52,625	\$212,629	48,488	34,160
1955	\$119,400	2.79:1	\$ 59,003	\$247,281	\$119,172	\$128,109	\$ 53,750	\$201,204	48,876	33,194

OTHER

*Except for cash dividends, figures for 1964 and 1963 include those of Smith-Douglass Company, Incorporated.

**Adjusted for 4% stock dividend in 1958 and 2 for 1 stock split in 1960.

***Ratio of current assets to current liabilities.

†1964 only, includes stockholders of Smith-Douglass Company, Incorporated.





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